



Results Presentation

Year ended 31 July 2016



Agenda



1. Highlights
2. Finance review
3. Strategic update
4. Operating review
5. Current trading and outlook
6. Questions and answers
7. Appendices

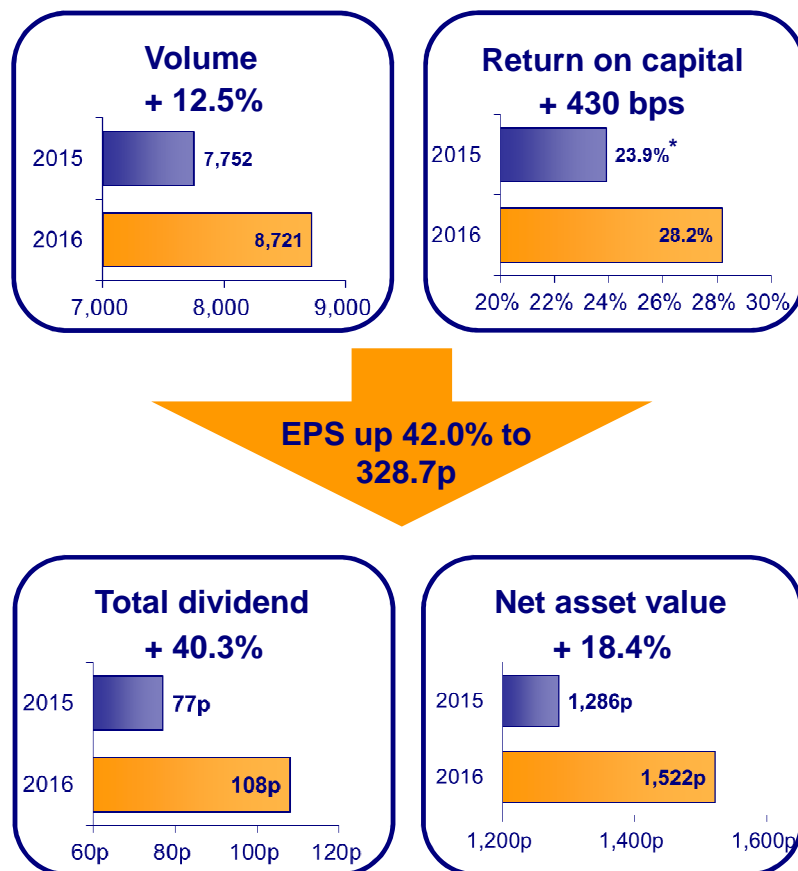


Highlights



Ted Ayres
Chief Executive

A record year



Operational highlights

- Strong order book of 4,644 homes.
- 19 divisions with a capacity of 11,000 homes.
- Sold interest in Barking Riverside for consideration with a fair value of £43.5 million.
- Contracted to acquire 9,555 plots.
- All land is in place to meet this year's growth target.

Delivering substantial value

* Pre-exceptional

Finance review



Keith Adey
Finance Director

Operating result



For the year ended 31 July

	2016		2015			Mvt*
	Total		Pre-exceptional	Exceptional item	Total	
Homes sold	8,721		7,752	-	7,752	12.5%
Average selling price	£252,793		£223,821	-	£223,821	12.9%
Housing revenue	£2,204.6m		£1,735.1m	-	£1,735.1m	27.1%
Other revenue	£36.1m		£30.3m	-	£30.3m	19.1%
Total revenue	£2,240.7m		£1,765.4m	-	£1,765.4m	26.9%
Gross profit	£574.8m	25.7%	£427.9m	24.2%	£6.9m £434.8m	34.3%
Administrative expenses	(£82.8m)	(3.7%)	(£67.5m)	(3.8%)	- (£67.5m)	22.7%
Operating profit	£492.0m	22.0%	£360.4m	20.4%	£6.9m £367.3m	36.5%

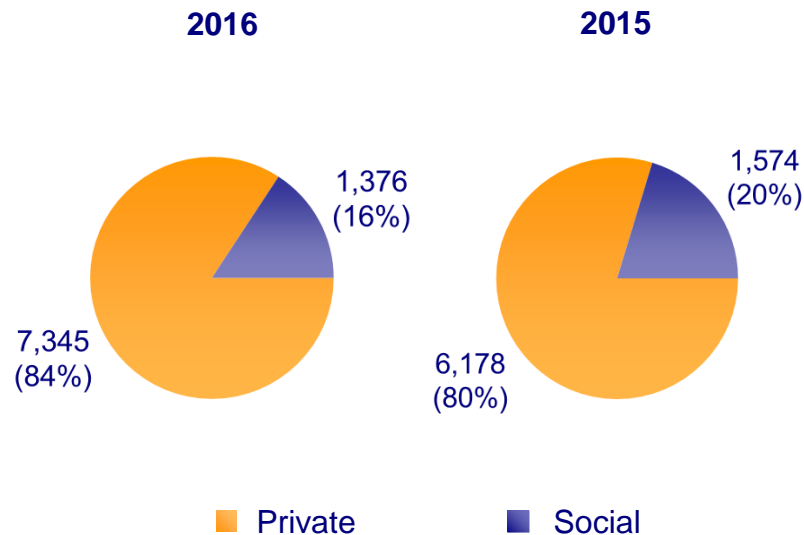
* Pre-exceptional

Housing revenue: social mix



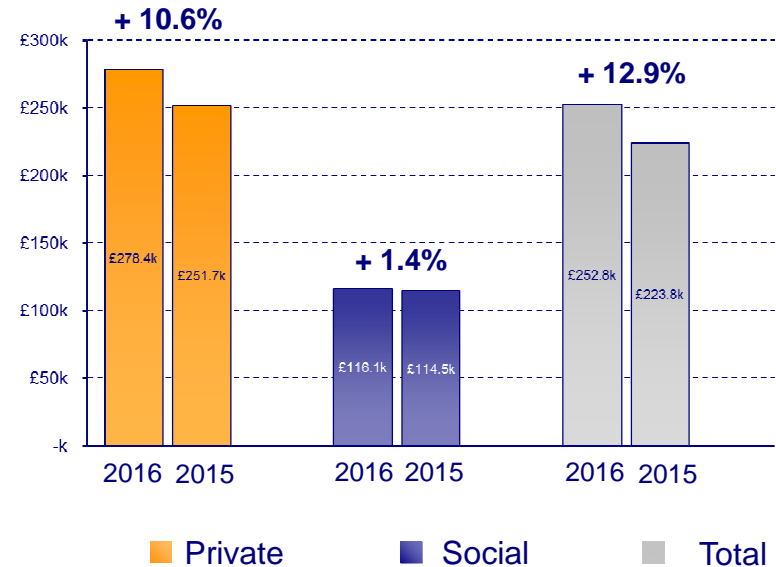
For the year ended 31 July

Homes sold



- Social housing completions expected to be c.20% for FY17.

Average selling price ('ASP')



- Growth in private ASP is influenced by investment in higher value locations, London and HPI.

Key aspects of guidance are included in appendix 1

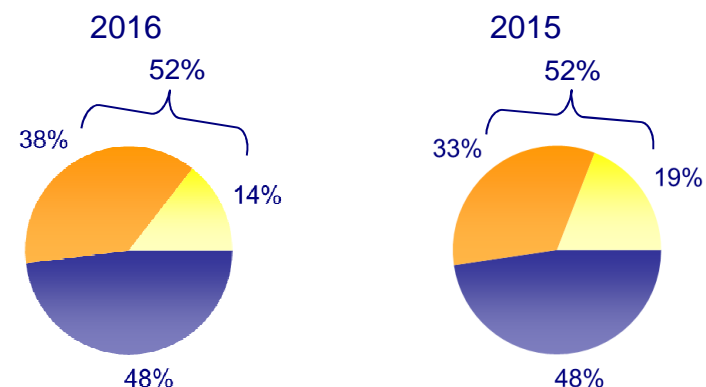
Housing revenue: geographic mix



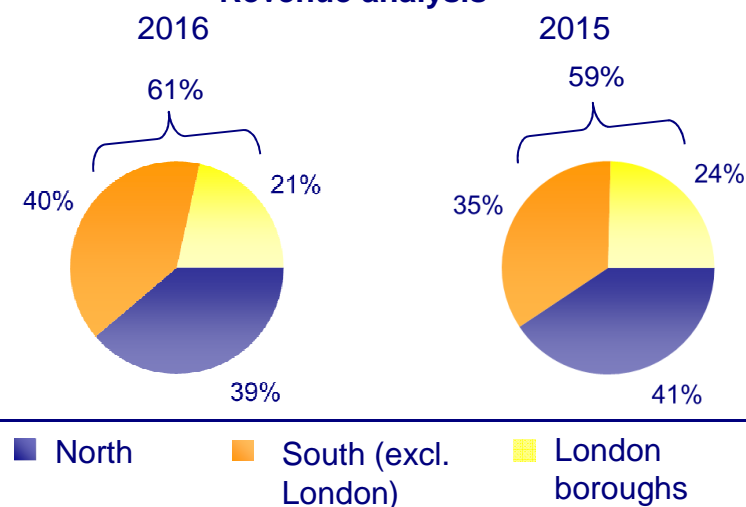
	2016	2015	Mvt
North			
Homes sold	4,187	3,696	13.3%
Average selling price	£204,155	£190,871	7.0%
South (inc. London)			
Homes sold	4,534	4,056	11.8%
Average selling price	£297,709	£253,846	17.3%
London boroughs			
Homes sold	1,260	1,481	(14.9%)
Average selling price	£377,118	£288,514	30.7%

For the year ended 31 July

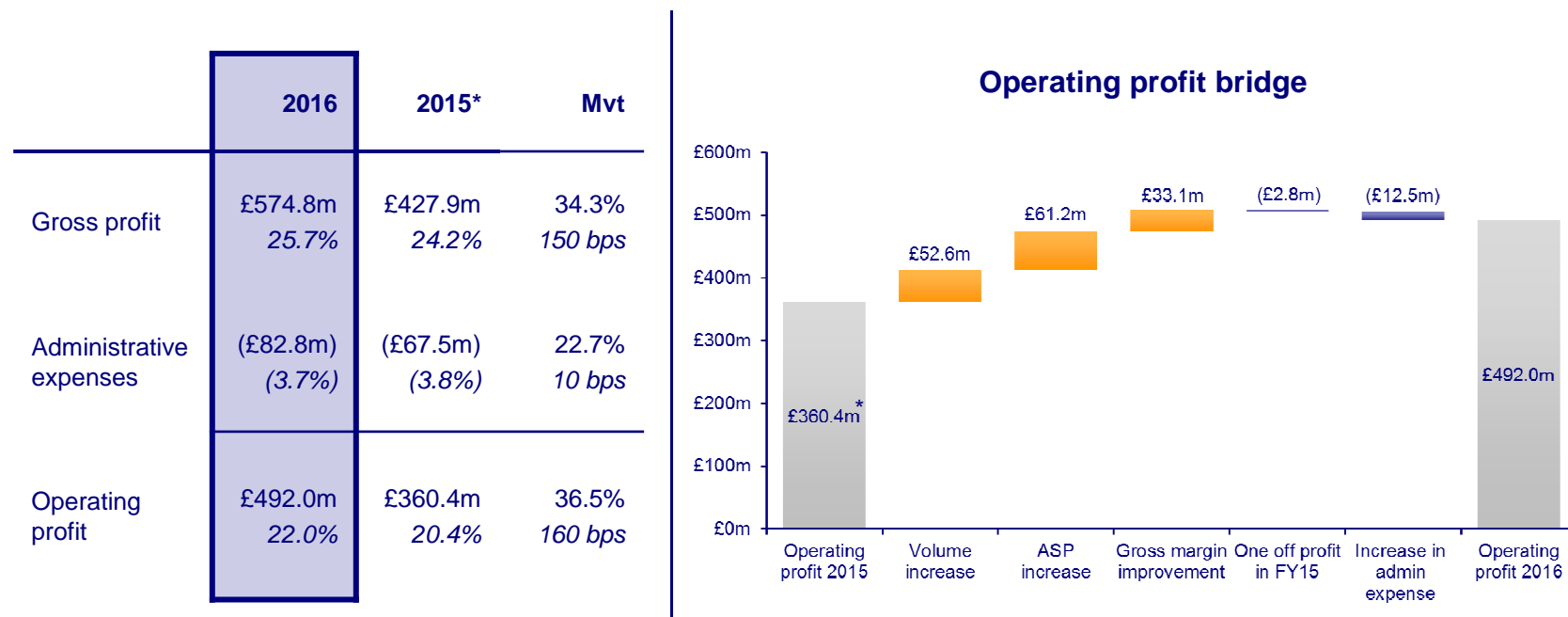
Completion analysis



Revenue analysis



Operating performance



- Gross margin improvement driven by good quality land investment and house price inflation.
- Strong culture of cost control.
- Low overhead ratio achieved whilst opening six new trading divisions.
- Volume growth offers potential for future profit growth.

* Pre-exceptional

Earnings growth



For the year ended 31 July

	2016			2015			Mvt
	Pre-exceptional	Exceptional	Total	Pre-exceptional	Exceptional	Total	
Operating profit	£492.0m	-	£492.0m	£360.4m	£6.9m	£367.3m	34.0%
Profit on sale of Barking	-	£17.3m	£17.3m	-	-	-	-
Net finance expense	(£11.1m)	-	(£11.1m)	(£13.1m)	-	(£13.1m)	(15.3%)
Share of JV result	(£0.3m)	-	(£0.3m)	-	-	-	-
Profit before tax	£480.6m	£17.3m	£497.9m	£347.3m	£6.9m	£354.2m	40.6%
Taxation	(£95.0m)	-	(£95.0m)	(£69.7m)	(£1.4m)	(£71.1m)	33.6%
<i>Effective tax rate</i>	19.8%	-	19.1%	20.1%	20.3%	20.1%	(100 bps)
Profit after tax	£385.6m	£17.3m	£402.9m	£277.6m	£5.5m	£283.1m	42.3%
Earnings per share	314.6p	14.1p	328.7p	227.0p	4.5p	231.5p	42.0%

Over the past three years earnings have grown by an average of 55% per annum

Balance sheet



As at 31 July

	2016	2015	Mvt
Assets			
Fixed assets and investment in joint ventures	£19.4m	£45.4m	(£26.0m)
Inventory	£2,548.3m	£2,135.3m	£413.0m
Debtors	£94.1m	£67.2m	£26.9m
	£2,661.8m	£2,247.9m	£413.9m
Liabilities			
Pension deficit	(£8.0m)	(£7.5m)	(£0.5m)
Net cash / (bank debt)	£26.5m	(£38.5m)	£65.0m
Creditors	(£509.1m)	(£433.4m)	(£75.7m)
Land creditors	(£304.2m)	(£192.6m)	(£111.6m)
	(£794.8m)	(£672.0m)	(£122.8m)
Net asset value	£1,867.0m	£1,575.9m	£291.1m
Net bank debt	-	£38.5m	(£38.5m)
Capital employed	£1,867.0m	£1,614.4m	£252.6m

Inventory



As at 31 July

	2016	2015	Mvt
Total land	£1,625.6m	£1,296.9m	£328.7m
Made up of:-			
DPP: land with detailed planning permission	£1,373.1m	£1,040.9m	£332.2m
Pipeline and strategic land	£252.5m	£256.0m	(£3.5m)
Work in progress	£836.1m	£763.7m	£72.4m
Showhomes	£70.3m	£57.5m	£12.8m
Part exchange stock	£16.3m	£17.2m	(£0.9m)
Total	£2,548.3m	£2,135.3m	£413.0m

Land with detailed planning permission

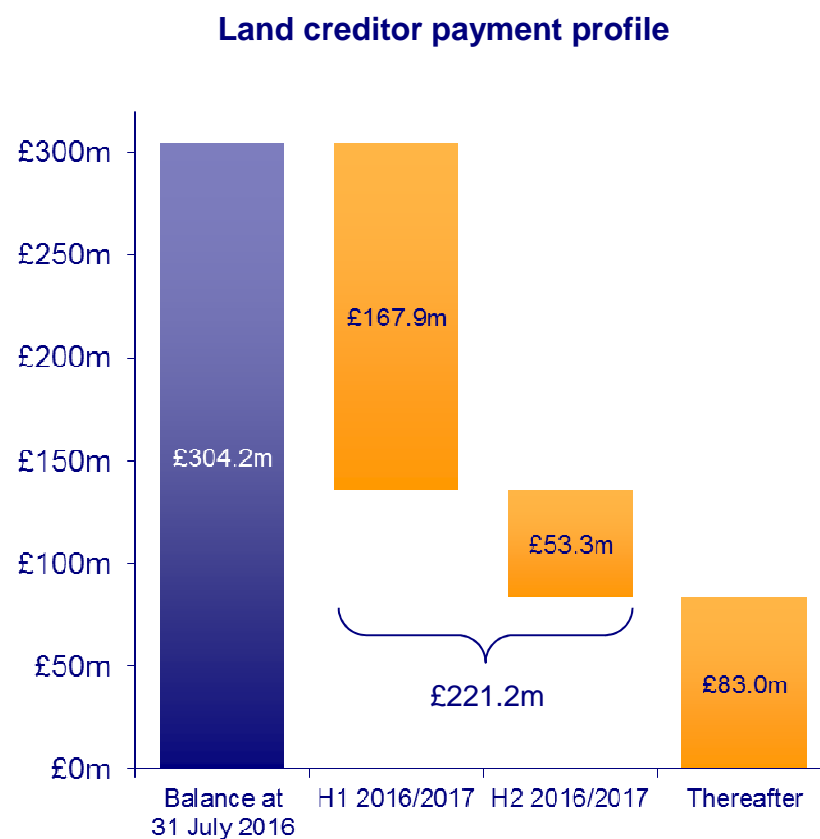


	Plots	Cost	Average plot cost
Brought forward 1 August 2015	21,411	£1,040.9m	£48.6k
Sold	(8,721)	(£448.6m)	£51.4k
Net purchases	12,189	£780.8m	£64.1k
Carried forward 31 July 2016	24,879	£1,373.1m	£55.2k

Capital employed



As at 31 July



	2016	2015
NAV	£1,867.0m	£1,575.9m
Net bank debt	-	£38.5m
Capital employed	£1,867.0m	£1,614.4m
Land creditors	£304.2m	£192.6m
Pension deficit	£8.0m	£7.5m
Joint venture finance	-	-
Goodwill	-	-
Adjusted capital employed	£2,179.2m	£1,814.5m

Further growth in return on capital employed



- Virtually no impaired land remaining from 2008.
- Disposed of underperforming and capital intensive assets such as shared equity portfolio and Barking Riverside.
- Focus on sales rate.
- RoCE is a key metric in all site acquisitions.

	2016	2015
Capital turn	1.3	1.2

	2016	2015
RoCE	28.2%	23.9%*

	2016	2015
Adjusted RoCE	24.5%	20.9%*

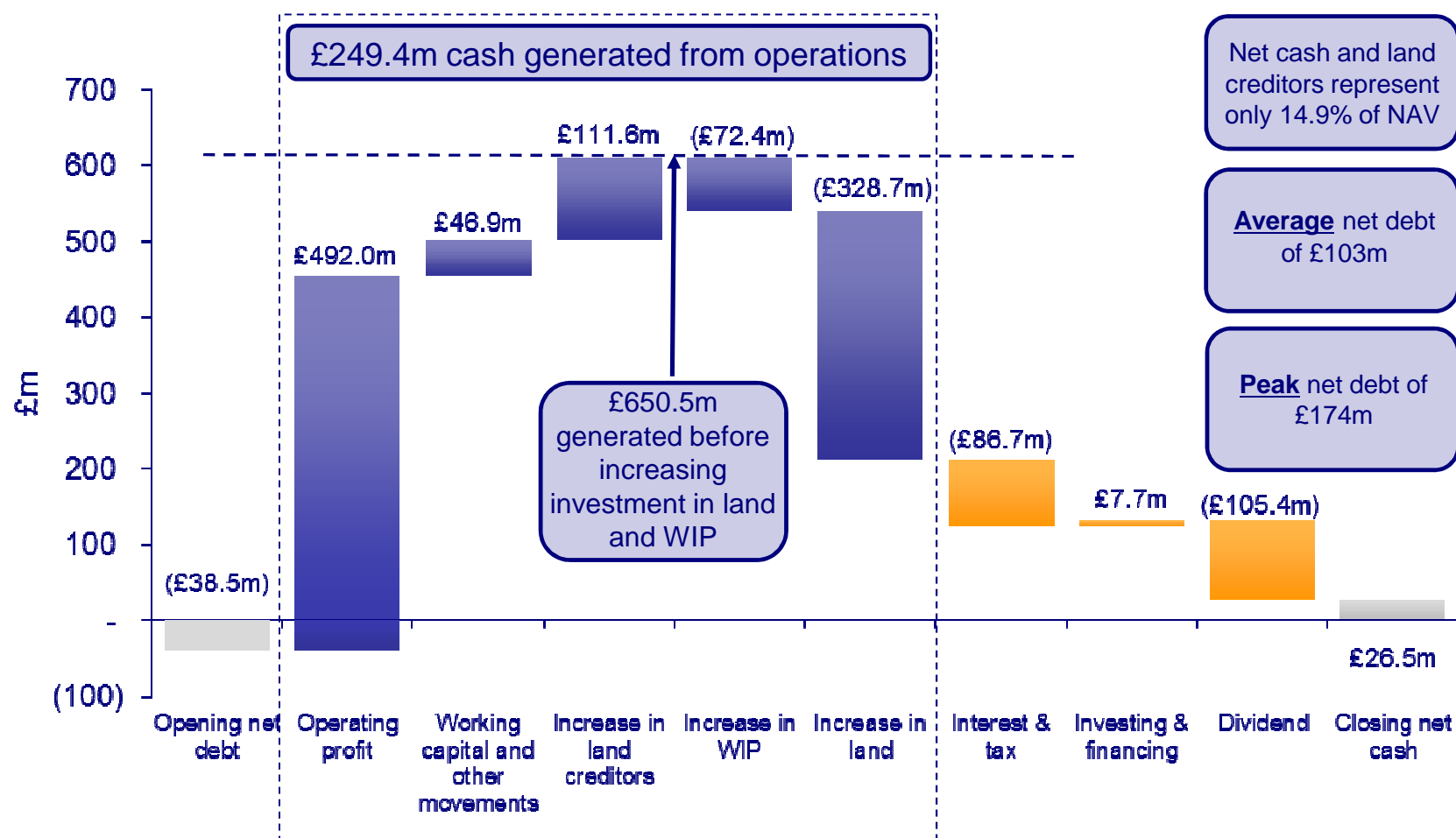
Substantial earnings growth from a lowly geared balance sheet

* Pre-exceptional

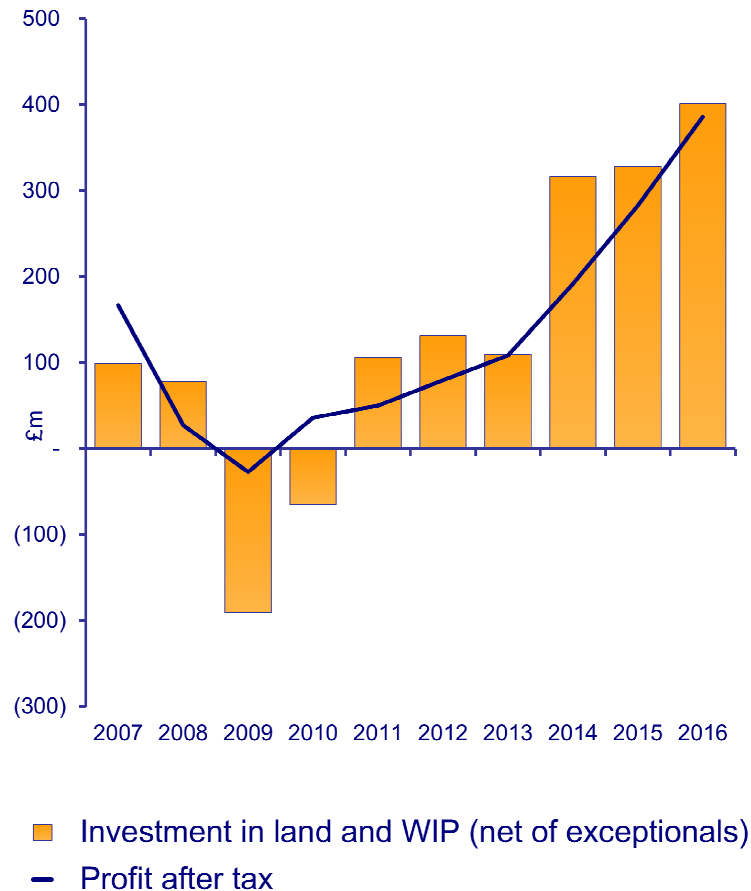
Strong cash generation



For the year ended 31 July



Investing for growth



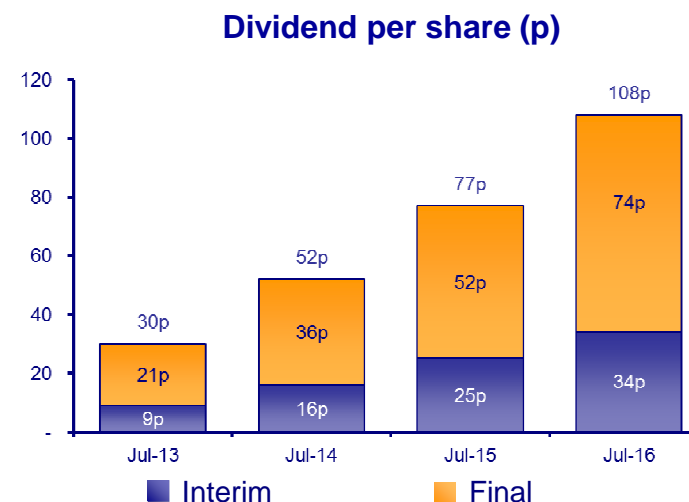
- Reinvestment in land and WIP has had a compounding effect on earnings growth.
- Since the pre-global financial crisis peak in 2007:-
 - Revenue has grown by 65%.
 - Profit after tax is 2.4 times ahead.

Dividend



- Compounding effect of reinvesting is leading to ongoing growth in the dividend.
- 260% growth in dividend in just three years.
- Expect to maintain 3x cover provided high return land opportunities are available.
- Flexible approach with ability to amend cover should there be a change in market conditions.

	2016	2015	Mvt
Interim dividend	34.0p	25.0p	36.0%
Proposed final dividend	74.0p	52.0p	42.3%
Total dividend	108.0p	77.0p	40.3%

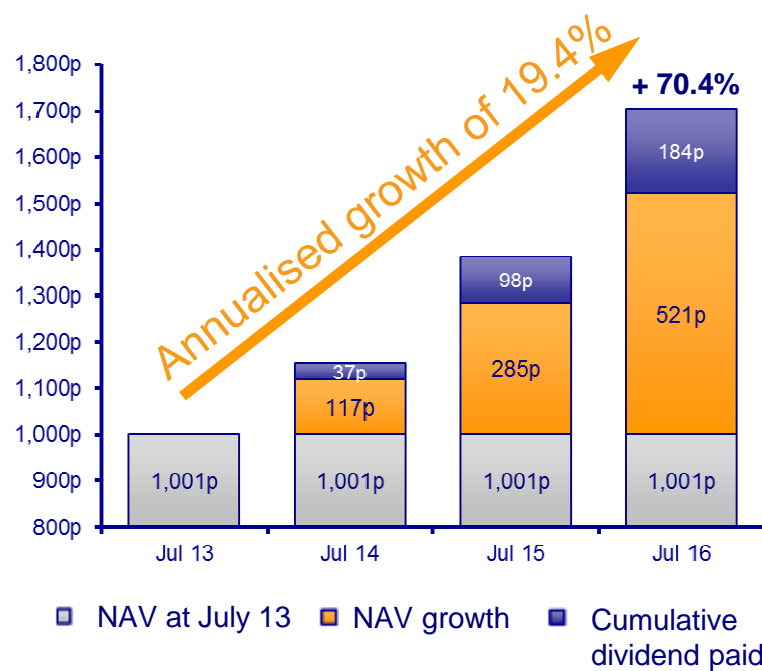


Value creation



As at 31 July

>70% return over 3 years



	2016	2015	Mvt
NAV	1,522p	1,286p	18.4%

	2016	2015	Mvt
RoE	23.5%	19.4%	410 bps

Strategy for growth is delivering substantial value for shareholders

Strategic update



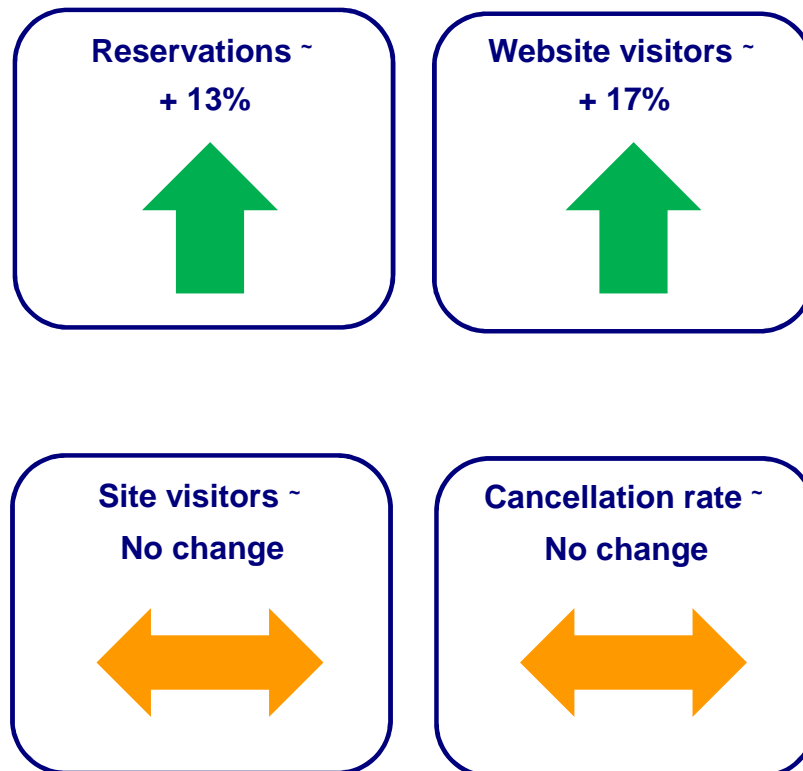
Ted Ayres
Chief Executive



Post EU Referendum



Recent trading provides reassurance



Actions

- Avoiding larger site acquisitions.
- Additional scrutiny over planned overhead expenditure.
- Review of work in progress and significant construction commitments.

~ Period from EU Referendum to 31 July 2016.

Mortgage market supports growth



MMR

FPC

Basel 3

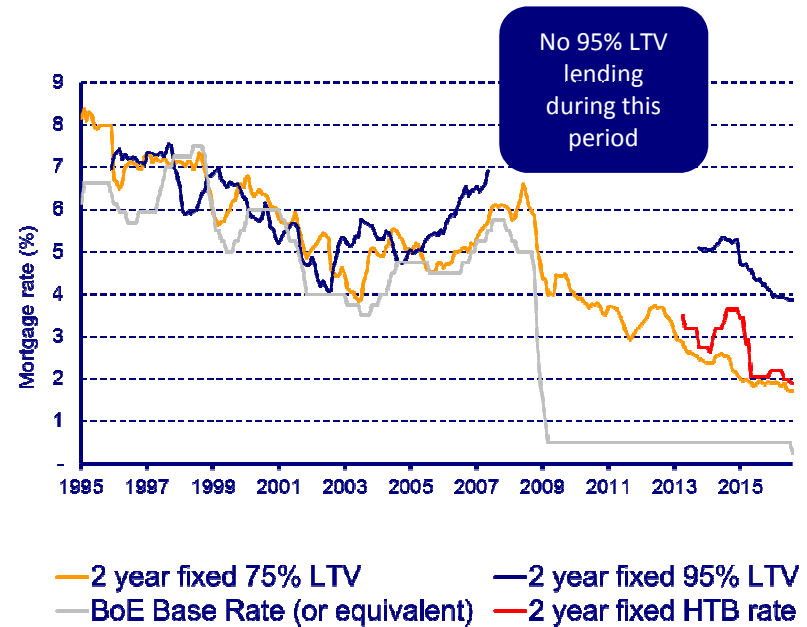


Long term sustainability in mortgage market

Help to Buy

- Committed to 2021 in England.
- Competitive advantage over second hand market.

Mortgage rates

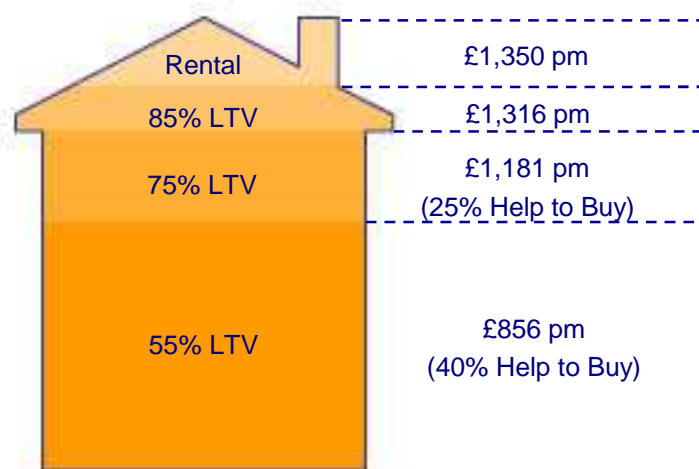


Source: Bank of England, Halifax

Long term growth strategy



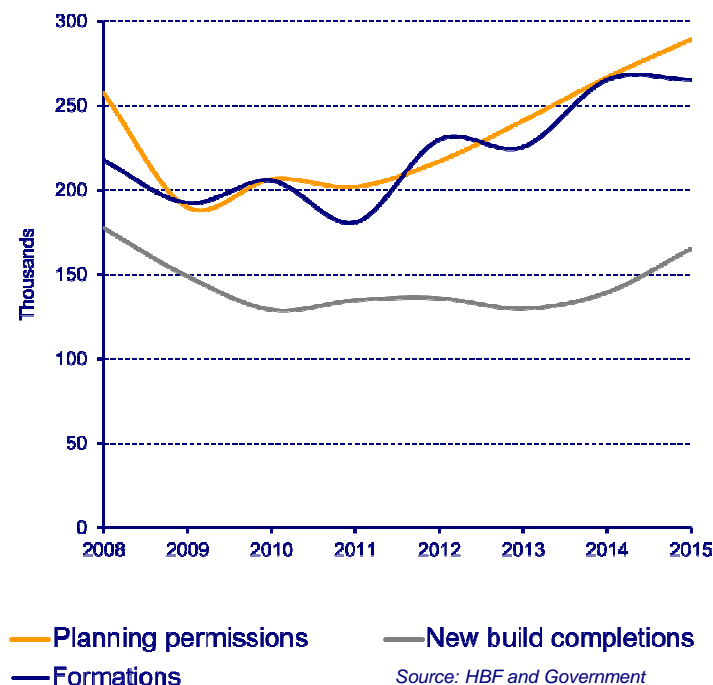
Buying* is cheaper than renting



Comparison of purchase versus rental costs for a typical Bellway London apartment with a price of £377,000.

* Based on Halifax two year fixed rate mortgages.

Supply and demand – Great Britain

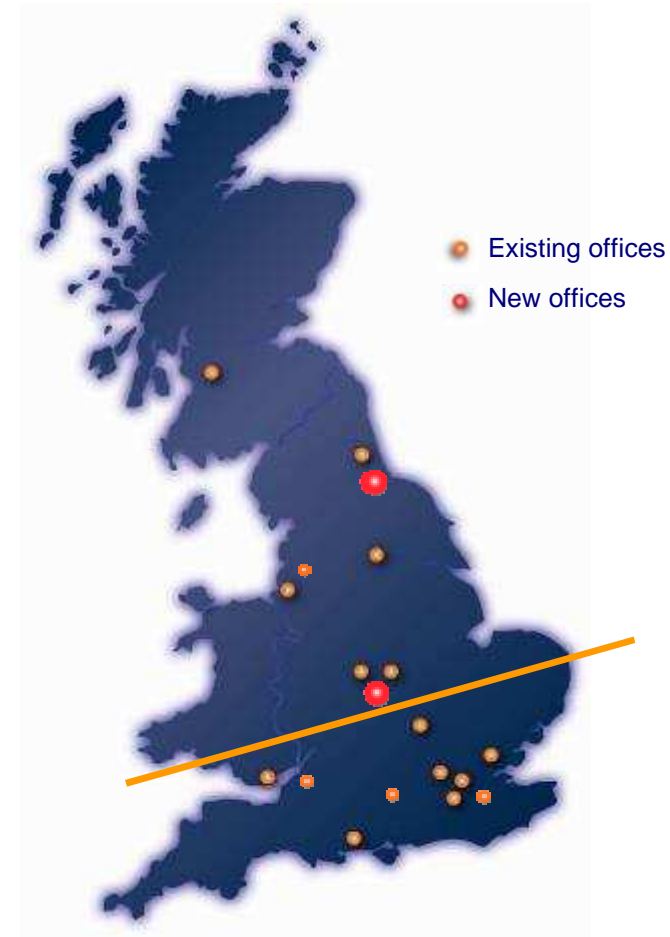


- Land opportunities available at attractive rates of return.

Affordability, strong demand and good land opportunities ➡ long term growth

Capacity for growth

- New divisions opened in South Midlands and Durham.
- 19 divisions with capacity of 11,000 homes per annum.
- Ability for future divisional expansion.
- Strong balance sheet allows opportunistic investment.
- Experience in London with limited exposure to slower top end of market.



Long term growth prospects remain compelling

Operating review



Ted Ayres
Chief Executive

Trading review



Weekly sales rate by period

	2016	2015	Mvt
H1	156	139	12.2%
H2	182	167	9.0%
Full year	169	153	10.5%

Weekly sales rate by geography

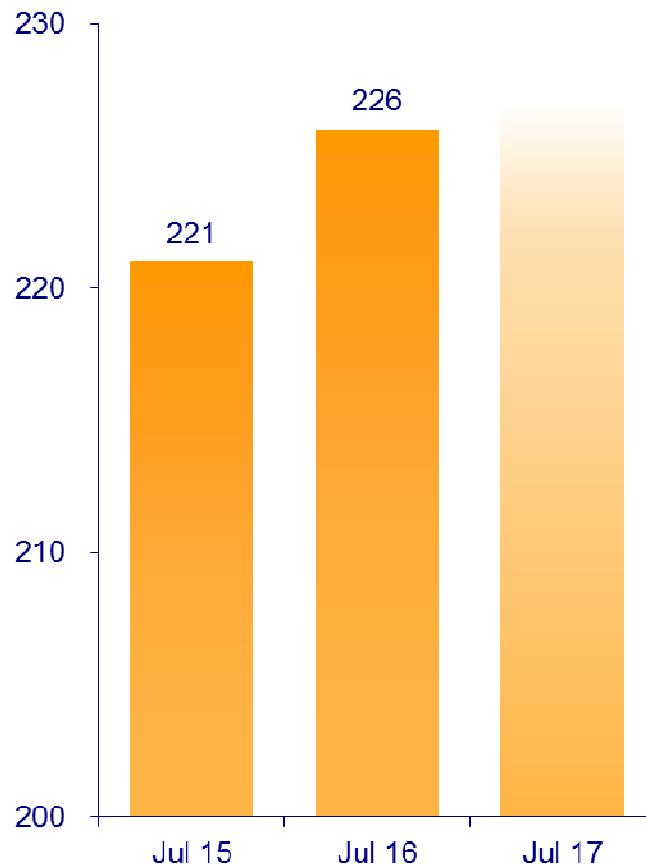
	2016	2015	Mvt
North	81	75	8.0%
South	88	78	12.8%
Full year	169	153	10.5%

- Improvement in sales rate driven by new site openings.
- Strong H1 performance with divisions such as West Midlands and North East performing well.
- Sales rate in early weeks of H2 boosted by opening of London outlets.
- Trading is still strong in all regions.
- Affordable price point in divisions such as Essex and Thames Gateway supports demand.
- Help to Buy accounts for 32% of reservations.
- Incentives remain low.

Sales outlets

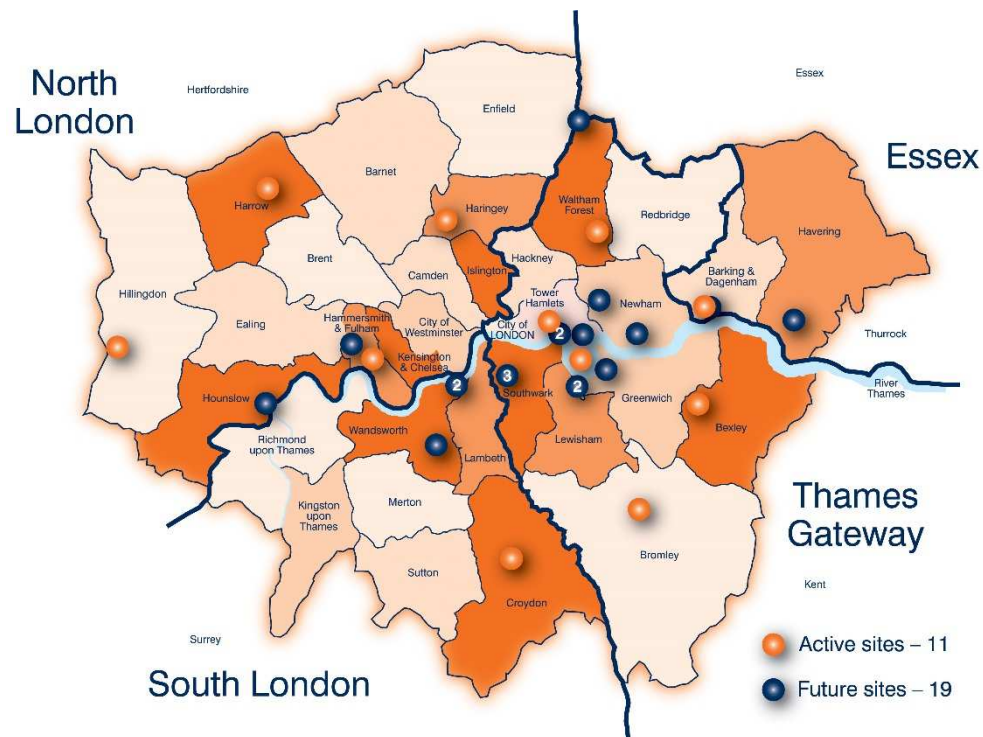


Average active outlets



- Ended year with 218 outlets, lower than expected due to faster selling rate.
- Expect new outlets in coming months will maintain sales rate.
- Targeting to open 100 outlets (2016 – 82) and close 85 this year.
- Expect to end year with >5% more outlets.

London presence



- London represents 23% of invested capital.
- ASP of £377k is affordable and demand is resilient.
- Help to Buy used in 39% of reservations since 1 February.

Location of sites

	Sites
Zone 1	2
Zone 2	11
Zones 3 – 6	17

London land bank

	Plots
Under £250 psf	280
Under £500 psf	1,099
Under £800 psf	1,116
Under £1,000 psf	489
Over £1,000 psf	49
Total	3,033

Nine Elms



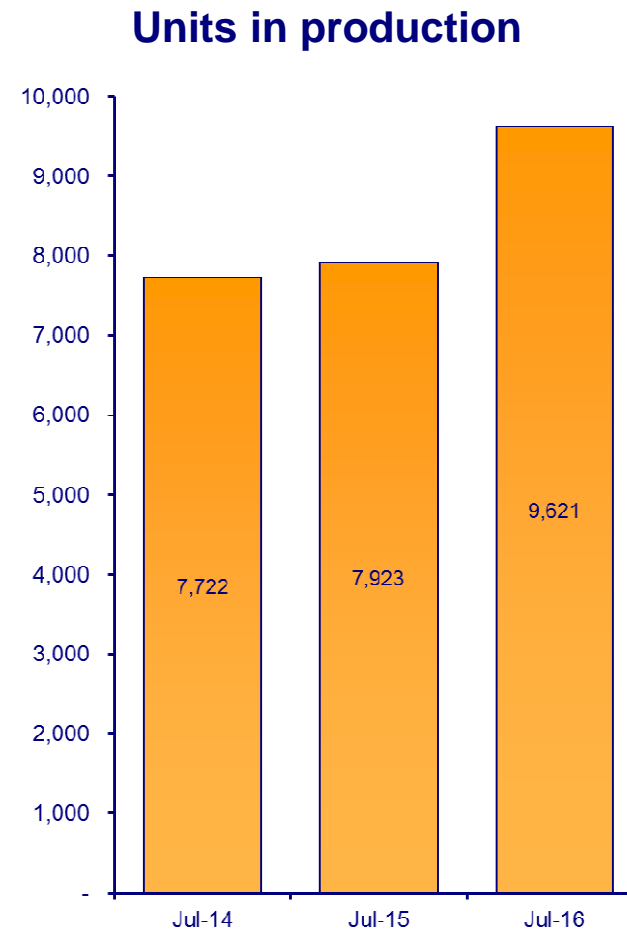
- Largest development with £108 million invested in land and WIP.
- 510 homes of which more than 240 have already been sold.
- Contracted sales provide substantial forward funding.
- Private homes will be released for sale in January 2017.
- Strong demand and some assistance from Help to Buy.
- Very healthy margin and strong forward sales position provides reassurance that Nine Elms will perform well.



Production



- Significant investment to meet forecast growth plans.
- Large number of plots are in early stages of production:-
 - Relating to apartment schemes in London due to complete beyond FY17.
- Build releases approved by Regional Chairmen on weekly basis.
- Flexibility to stop build at pre-determined stages should the market dictate.



Materials

- No major cost increases from national suppliers.
- Low direct exposure to exchange rate fluctuations.
- Expecting timber costs to increase by up to 10%.
- Cost increases are minimal in context of overall build cost.

Sub-contract

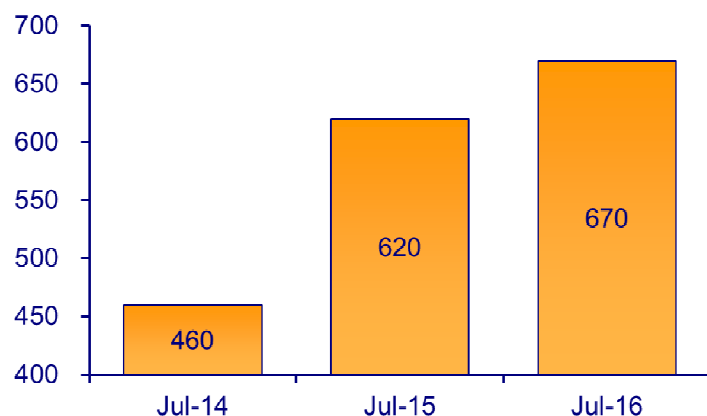
- Continued pressure in London and South East but at a manageable level.
- Low availability for certain trades.
- No reduction in availability of overseas labour.

Overall increase in construction costs of 3% to 4%

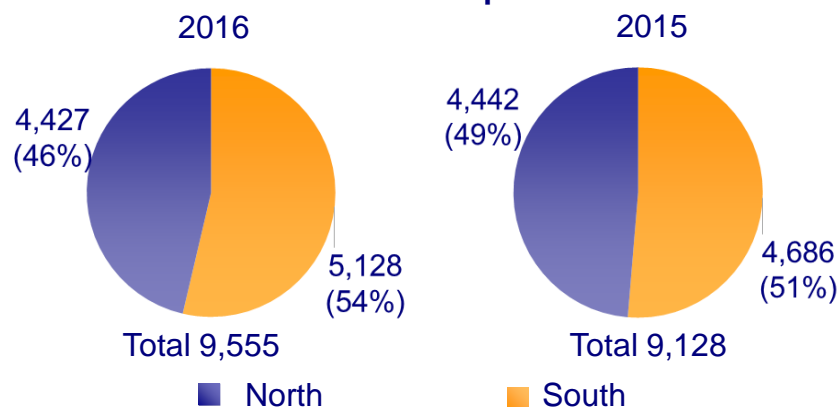
Land procurement



Cash land spend (£m)



Contracted plots



- Wide geographic presence.
- Average intake margin >23%.
- 3 new regional strategic land directors.
- Strategic land is an additional source of supply given the growth of the Group.

Land bank



As at 31 July

	2016	2015
Owned and controlled plots [^]	34,979	36,211
Made up of:-		
DPP: plots with detailed planning permission	24,879	21,411
Pipeline: plots pending an implementable DPP	10,100	14,800

Strategic plots [^]

> 6,300

> 6,000

Strategic plots are **only** those long term plots which currently have a positive planning status

Heads of terms agreed on further **6,400** plots as at 31 July 2016.

[^] See appendix 9 for definitions.

Planning environment



As at 31 July

	2016
Brought forward at 1 August	21,411
Already controlled: DPP obtained in the period	7,265
Bought with benefit of DPP	4,924
Total additions	12,189
Sold	(8,721)
Plots with implementable DPP	24,879

- Previously controlled plots promoted from 'pipeline'
- Represents 60% of additions to land with DPP

- Housing and Planning Act requires Councils to accelerate:-
 - issuance of planning permissions;
 - agreement of pre-commencement conditions.
- Awaiting details of Starter Home Initiative.
- Planning environment remains positive.

Current trading and outlook

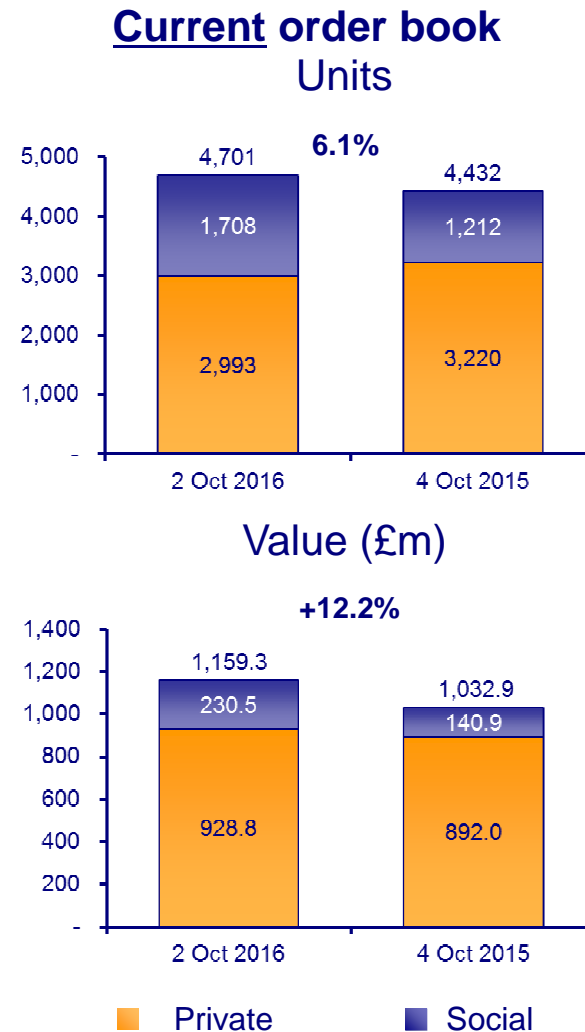


Ted Ayres
Chief Executive



Current trading and order book **Bellway**

- Sales up 9% to 162 per week in first 9 weeks.
- Positively affected by investor deal for 51 units at Nine Elms.
- Increase in social reservations reflecting next year's planned growth.



- Strong forward sales position.
- Volume growth will moderate in year ahead.
- Rate of growth will depend upon outcome of autumn and spring selling seasons.
- Maintain caution with regards to investment.
- Proceeding with land acquisitions providing returns are strong.

Sustainable, long term returns for shareholders

Questions and answers



The Croft, Ash, Aldershot

Appendices

1. Guidance
2. Geographic analysis
3. ASP analysis
4. Product analysis
5. Completion analysis
6. Net finance expense
7. Land supply
8. Strategic land
9. Land bank glossary
10. Order book at 31 July



Appendix 1 – Guidance



	31 July 2017
ASP	Around £260k
Volume growth	Modest growth
Operating margin	Similar to FY16
Average bank debt	£100m - £150m
Social completions	c. 20%
Dividend	3 x cover

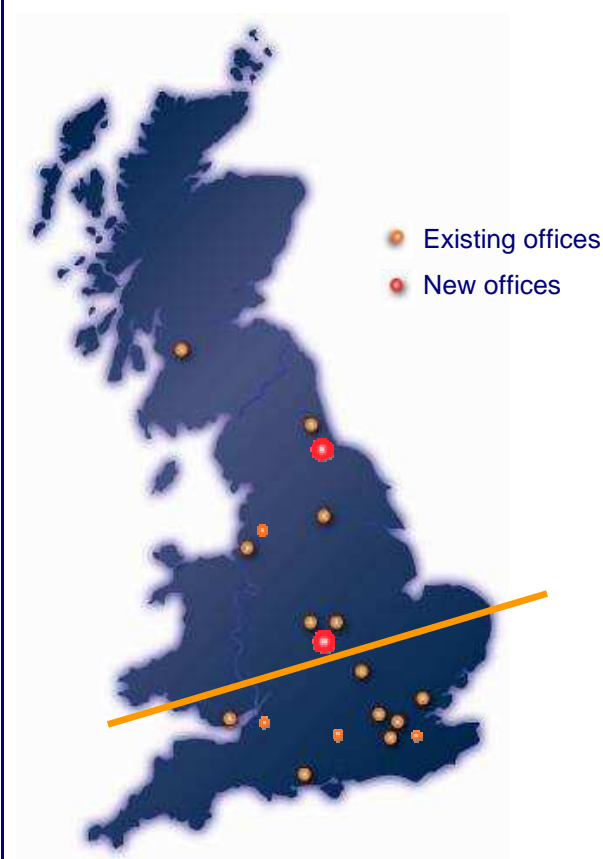
Appendix 2 – Geographic analysis



For the year ended 31 July

	Unit completions					
	Private		Social		Total	
	2016 No.	2015 No.	2016 No.	2015 No.	2016 No.	2015 No.
North	3,651	3,070	536	626	4,187	3,696
South	3,694	3,108	840	948	4,534	4,056
Total	7,345	6,178	1,376	1,574	8,721	7,752

	Average selling price					
	Private		Social		Total	
	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000
North	220.6	212.0	92.2	87.2	204.2	190.9
South	335.6	290.9	131.3	132.5	297.7	253.8
Group	278.4	251.7	116.1	114.5	252.8	223.8



Appendix 3 – ASP analysis



For the year ended 31 July

ASP / square foot (£)									
	2016			2015			Mvt		
	Private	Social	Total	Private	Social	Total	Private	Social	Total
North	199	119	191	188	115	179	5.9%	3.5%	6.7%
South - made up of:-	342	162	314	305	163	276	12.1%	(0.6%)	13.8%
London	488	223	477	392	218	366	24.5%	2.3%	30.3%
Non-London	290	158	264	261	147	235	11.1%	7.5%	12.3%
Group average	266	146	251	242	145	226	9.9%	0.7%	11.1%

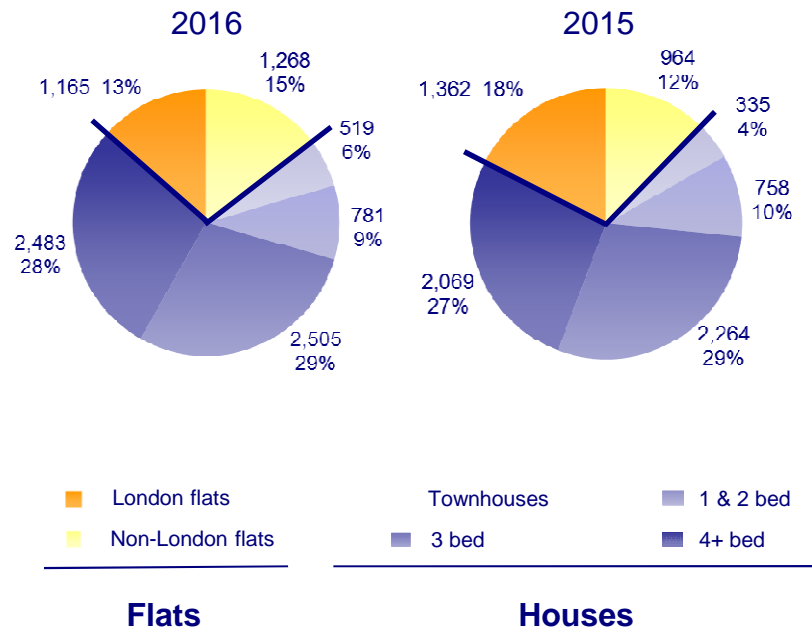
- Higher ASP in London influenced by high value developments such as Greenwich, Park Royal and Brentford.

Appendix 4 – Product analysis

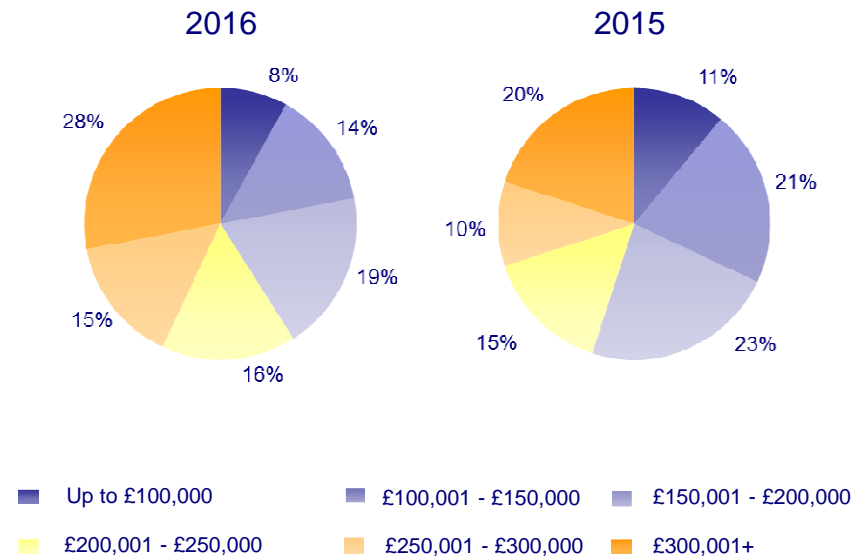


For the year ended 31 July

Product mix analysis



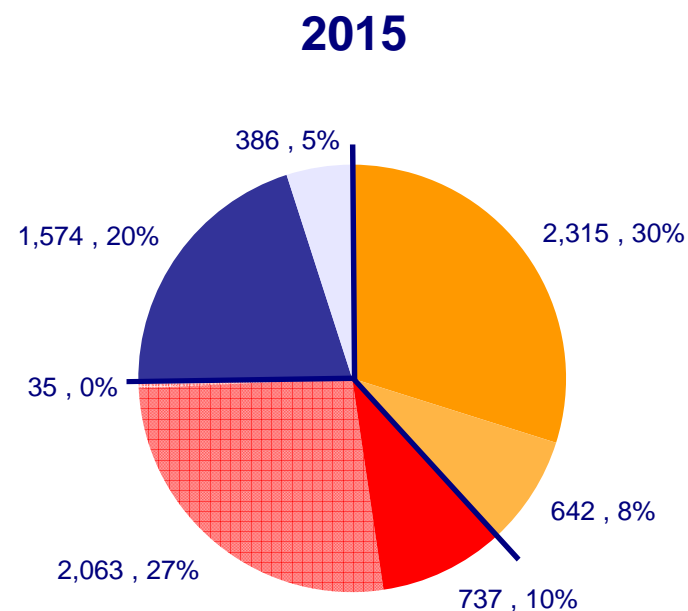
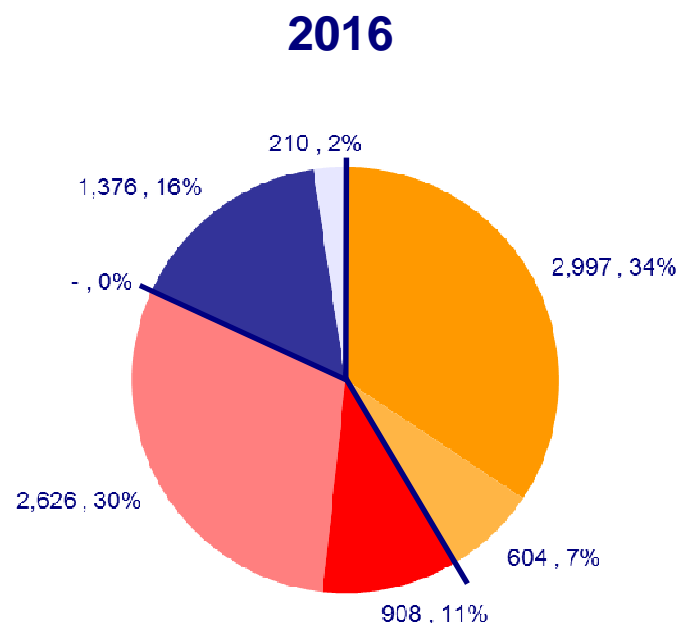
Selling price analysis





A wide variety of product leads to a flexible approach to land buying

Appendix 5 – Completion analysis


For the year ended 31 July



Second time buyers

-  Other second time buyers
-  Part exchange

Deposit assisted and first time buyers

-  Unassisted first time buyers
-  Help to Buy
-  NewBuy

Other buyers

-  Housing Association
-  Investor

Appendix 6 - Net finance expense



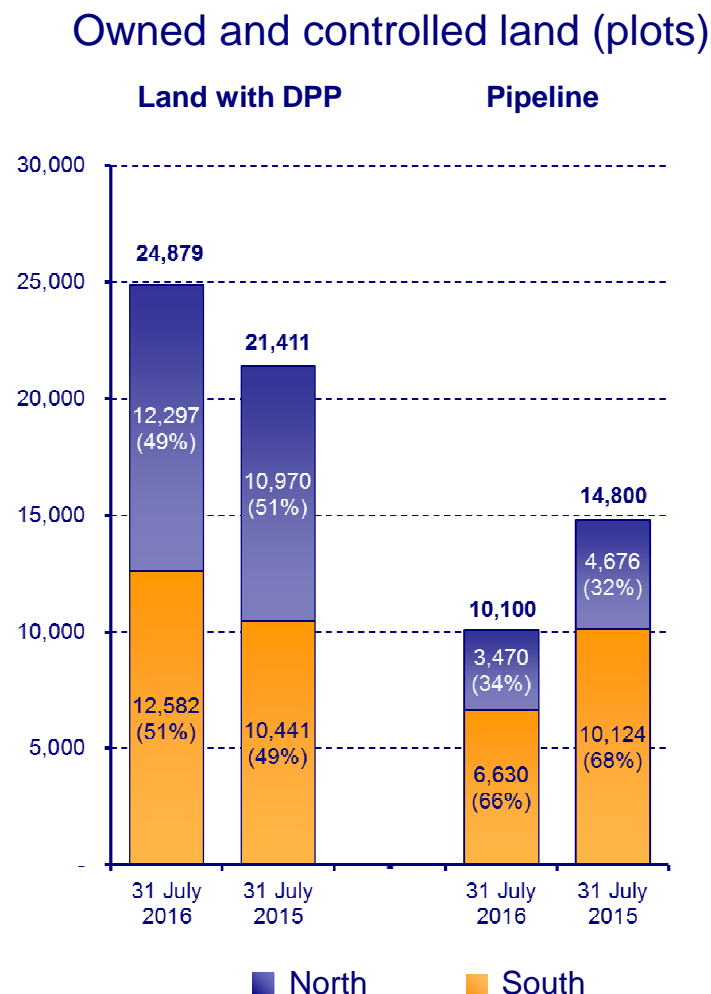
For the year ended 31 July

	2016	2015	Mvt
Net bank interest payable inc. fees	£4.3m	£6.5m	(33.8%)
Non bank interest:	£6.8m	£6.6m	3.0%
Made up of:-			
Land creditors / debtors – IAS 39	£7.1m	£6.6m	7.6%
Pension cost	£0.2m	£0.3m	(33.3%)
Other interest	(£0.5m)	(£0.3m)	66.7%
Total	£11.1m	£13.1m	(15.3%)

Appendix 7 – Land supply



As at 31 July

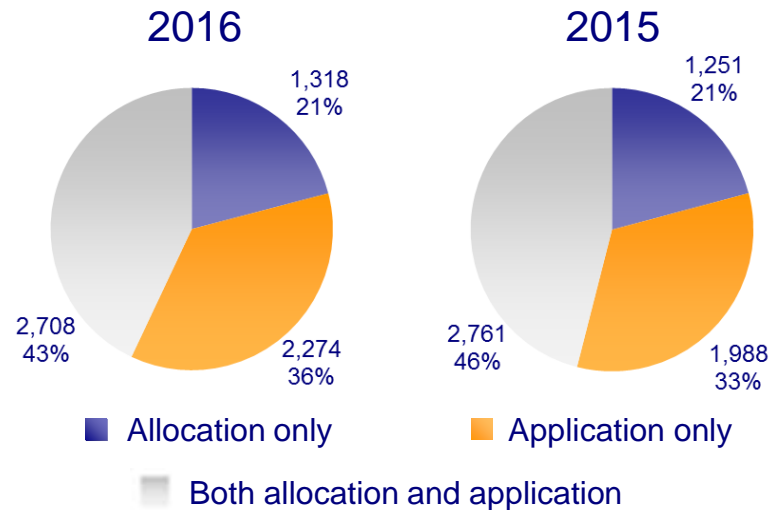


- Wide geographic presence enables Bellway to benefit from growth opportunities in north, south and London markets.
- Pipeline reduced by 2,100 plots due to disposal of Barking Riverside.
- Quality land bank.

Appendix 8 – Strategic land

As at 31 July

Strategic land by category



- 6,300 plots with a positive planning status.
- Appointed three new regional strategic land directors.

Owned and controlled plots

- **DPP:** Plots owned or unconditionally contracted by the Group where there is an implementable **detailed planning permission**.
- **Pipeline:** Plots owned or controlled by the Group pending an implementable detailed planning permission, with development generally expected to commence within the next three years.

Strategic plots

- **Strategic:** Long term plots which currently have a positive planning status and are typically held under option.

Appendix 10 – Order book at 31 July



As at 31 July

	2016			2015			Movement		
	Private	Social	Total	Private	Social	Total	Private %	Social %	Total %
At 1 August	3,305	1,263	4,568	3,164	1,199	4,363	4.5%	5.3%	4.7%
Reservations	7,035	1,762	8,797	6,319	1,638	7,957	11.3%	7.6%	10.5%
Completions	(7,345)	(1,376)	(8,721)	(6,178)	(1,574)	(7,752)	18.9%	(12.6%)	12.5%
At 31 July	2,995	1,649	4,644	3,305	1,263	4,568	(9.4%)	30.6%	1.7%